

**The Internal Revenue Service Has Procedures  
to Ensure There Is Sufficient Trained Staff  
to Process Individual Income Tax Returns  
in 2003**

**February 2003**

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**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

February 21, 2003

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

*Gordon C. Milbourn III*

FROM: Gordon C. Milbourn III  
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Internal Revenue Service Has  
Procedures to Ensure There Is Sufficient Trained Staff to  
Process Individual Income Tax Returns in 2003  
(Audit # 200240080)

This report presents the results of our review to determine whether the Internal Revenue Service's (IRS) Wage and Investment (W&I) Division has procedures in place to ensure there is a sufficient number of trained staff to process individual income tax returns during the 2003 Filing Season.<sup>1</sup>

During Calendar Year 2003, the IRS expects to receive approximately 132 million individual income tax returns (77.4 million paper returns and 54.3 million electronic returns). It is essential that the IRS properly staff each Submission Processing Site<sup>2</sup> (SPS) that receives individual income tax returns to ensure that the returns are processed timely and accurately. Our review showed that the W&I Division's Submission Processing function has developed procedures to staff each SPS according to the number and type of return expected to be received at that location. In addition, it has scheduled an effective training program to be provided to both experienced and newly hired employees. As a result, each SPS should be adequately staffed with trained employees to successfully process individual income tax returns received during the 2003 Filing Season.

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<sup>1</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.

<sup>2</sup> The SPSs are the data processing arm of the IRS. They process paper and electronic submissions, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

No recommendations were made in this report. However, IRS management officials reviewed it prior to issuance.

Copies of this report are also being sent to the IRS managers who are affected by the report results. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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### **Background**

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The Wage and Investment (W&I) Division is the Internal Revenue Service's (IRS) business unit responsible for processing individual income tax returns. Taxpayers whose incomes are comprised solely of wages and investments file their individual income tax returns with one of the eight IRS Submission Processing Sites<sup>1</sup> (SPS). Taxpayers can elect to either mail paper returns or file paperless electronic returns.

The IRS is undergoing significant changes in the processing of tax returns. For example, taxpayers are responding to IRS initiatives and filing more returns electronically. This shift in the mix of tax returns has allowed the IRS to realign the responsibilities of the 10 locations that previously processed individual income tax returns. Only eight SPSs currently process paper individual income tax returns, and future plans are for additional SPSs to be phased out of processing individual income tax returns and used for other activities.

Each year, the IRS is faced with the challenge of processing millions of individual income tax returns timely and accurately. To do so, the IRS must develop an annual plan that estimates the numbers and types of returns to be filed at each SPS. Based on these estimates, the IRS can determine the staffing needs for each location.

In addition to properly staffing each SPS, the IRS must train all employees to process the individual income tax returns. The type of training will vary with the individual employee's job and level of experience.

This audit was conducted at the IRS' W&I Division Submission Processing Headquarters offices in Cincinnati, Ohio, and Lanham, Maryland, and at the SPS in Austin, Texas, from October to December 2002. The audit was conducted in accordance with *Government Auditing Standards*.

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### **Procedures Are In Place to Ensure Sufficient Staffing for the 2003 Filing Season**

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Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

The W&I Division's Submission Processing function has implemented procedures to ensure that there is adequate staffing in place to process the projected number of taxpayer returns for the 2003 Filing Season.<sup>2</sup>

Planning for the annual filing season has become almost a year-round process. One of the first formal documents to be prepared in the planning process is the Filing Season Readiness Executive Steering Committee Action Plan that is used to monitor important elements of planning such as staffing, hiring, and training. At the conclusion of the filing season, the W&I Division evaluates the filing season results to identify areas that were successful and ensure that problems will not be repeated.

The process of estimating the volume and type of returns expected to be filed in Calendar Year 2003 was very complex and included prior years' experience, processing changes, legislative changes, and budget changes. In total, the IRS expects to receive approximately 132 million individual income tax returns during Calendar Year 2003 (77.4 million paper and 54.3 million electronic returns). W&I Division Headquarters prepared estimates of the numbers and types of returns expected to be filed at each SPS. These estimates, along with pro-forma schedules, were forwarded to each SPS for any local adjustments. W&I Division Headquarters reviewed the final estimates to ensure that the projections were made accurately and consistently.

The next step in the planning process was to determine the staff needed to process the projected return receipts at each SPS. W&I Division Headquarters personnel also reviewed this phase of the planning process to ensure that hiring targets were being met. Contingency plans were developed and available for implementation if each SPS could not hire enough to meet its needs.

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<sup>2</sup> The filing season is the period from January through mid-April when most individual income tax returns are filed.

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### **A Training Plan Has Been Developed to Ensure Employees Receive Timely and Relevant Training**

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At the conclusion of the planning process, each SPS prepared and submitted an annual certification that it was ready for the filing season. These certifications were forwarded to the Director, Submission Processing, who certified that the W&I Submission Processing function had completed the planning process and controls were in place to ensure a successful filing season.

W&I Division Submission Processing function personnel developed a training plan to ensure that both experienced and newly hired employees will receive timely and relevant training for the 2003 Filing Season.

Development of the training plan was a joint effort among W&I Division Submission Processing function personnel from Headquarters, the SPSs, and the Learning and Education functions. The process itself involved collecting, reviewing, and matching training needs against the work plans for the same time period. Training courses were designed and developed to meet these needs based on the knowledge and skills required to perform jobs within each function.

At the time of our review, the training plan for the 2003 Filing Season had been completed. Furthermore, course materials had been developed and the Internal Revenue Manual had been updated. This information will be sent to the SPSs according to their in-field date requests. Each SPS has a Training Coordinator who is responsible for ensuring that employees receive the scheduled training.

The IRS uses the Automated Corporate Education System (ACES) to monitor the implementation of the scheduled training. The ACES schedules classes, enrolls students, and tracks completion of all training events. This provides an excellent control to document when the training class was conducted and who received the training.

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**Appendix I**

**Detailed Objective, Scope, and Methodology**

The overall audit objective was to determine whether the Internal Revenue Service's (IRS) Wage and Investment (W&I) Division has procedures in place to ensure there is a sufficient number of trained staff to process individual income tax returns during the 2003 Filing Season.<sup>1</sup>

We performed the following audit tests to accomplish our objective:

- I. Evaluated the procedures for staffing the Submission Processing Sites<sup>2</sup> (SPS) to process the projected volume of W&I taxpayers' individual income tax returns for the 2003 Filing Season.
  - A. Reviewed the Fiscal Year 2003 Filing Season Readiness Executive Steering Committee Action Plan to determine whether initiatives dealing with staffing, hiring, and training had been developed and communicated.
  - B. Determined how the IRS identified the number of employees needed for each SPS and identified the procedures established for monitoring hiring results.
  - C. Determined if contingency plans were developed in the event that hiring was either reduced or delayed and determined how the SPSs planned to use employees from other functions to process returns.
  - D. Identified concerns/issues that confronted the SPSs in the 2002 Filing Season and determined whether these concerns were addressed in plans for the 2003 Filing Season.
- II. Evaluated procedures for ensuring W&I Division Submission Processing function personnel received timely and relevant training.
  - A. Determined procedures for ensuring all employees were trained prior to the start of the filing season.
  - B. Identified the system used to track training progress.
  - C. Determined the procedures and controls for educating all employees on changes to the tax law for the filing season and ensuring relevant resource/reference material was available.

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**Appendix II**

**Major Contributors to This Report**

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**Appendix III**

**Report Distribution List**

Acting Commissioner N:C  
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Director, Strategy and Finance W:S  
Director, Submission Processing W:CAS:SP  
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    Program/Process Assistant Coordinator, Wage and Investment Division W:HR